

## **APPENDIX I**

**PROVISIONAL APPLICATION FOR  
UNITED STATES PATENT  
IN THE NAME**

**of**

**DR. THOMAS LEWIS GOLDSMITH and  
CANDACE LEIGH QUINN**

**For**

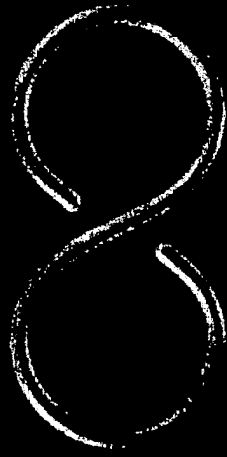
**SYSTEM AND METHOD FOR AUTOMATICALLY  
EVALUATING BUSINESS ALTERNATIVES INCLUDING  
DONATIONS FOR HANDLING SURPLUS GOODS**

**DOCKET NO. 01234.50020**

**Please direct communications to:  
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**Express Mail Label Number: EL 701 319 188 US**

# Donage



# A Charitable Match To Do A World of Good

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# What is Donage?

Donage



- It is both a web-based and install utility that facilitates the movement of surplus goods, including through charitable donation. Donage's "mechanism" will provide the user with the value of the potential tax deduction.
- A process of value derivation in terms of auction, liquidation or donation connected directly to the fixed asset data of businesses and used to perform dollar savings analysis
- The use of the Donage mechanism allows corporations to clear their shelves of surplus and unwanted goods by simply making them available for a match. This is a superior alternative to the whims of auction and liquidation close outs.
- Donage delivers the greatest access to a broad spectrum of NGO groups and charities. The mechanism assists with the complete donation, from making contact, to agreement, to the transfer of materials. Donage never takes possession of materials. There is no physical middleman.

*Surplus*

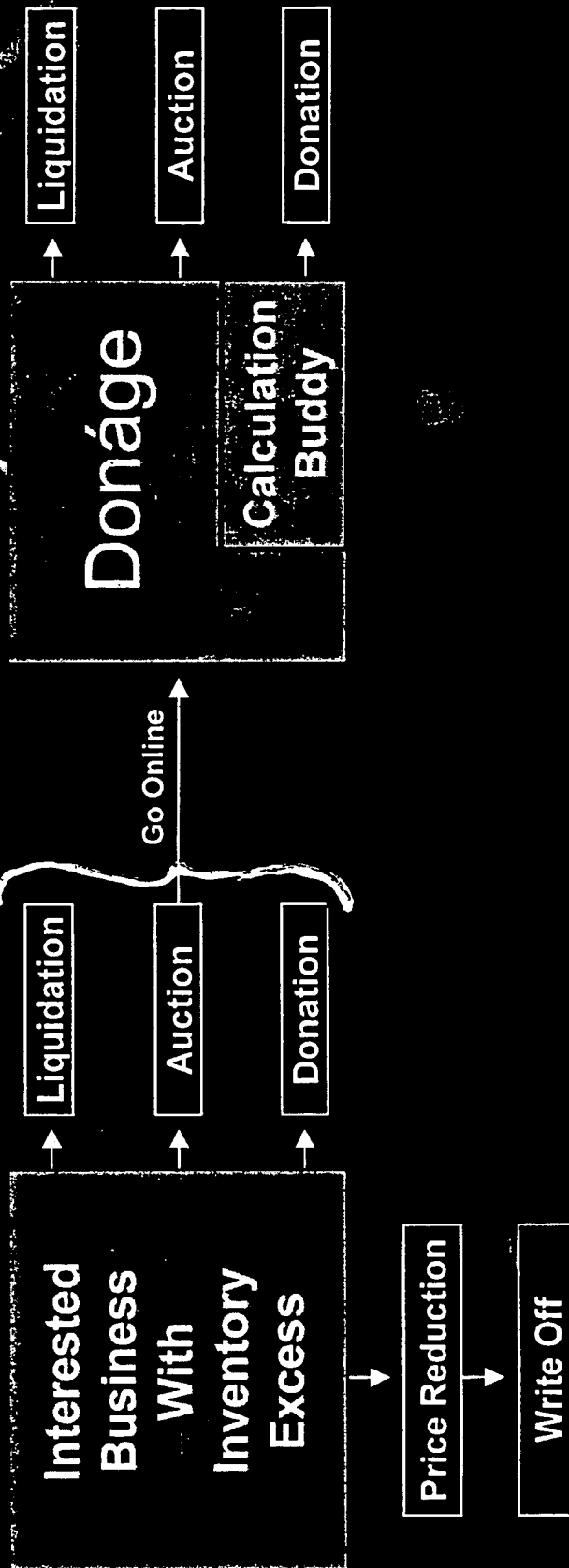
*Tax Deduction  
Charitable Donation*

*Not For Profit  
Organization*

# How does it work?

Step 1

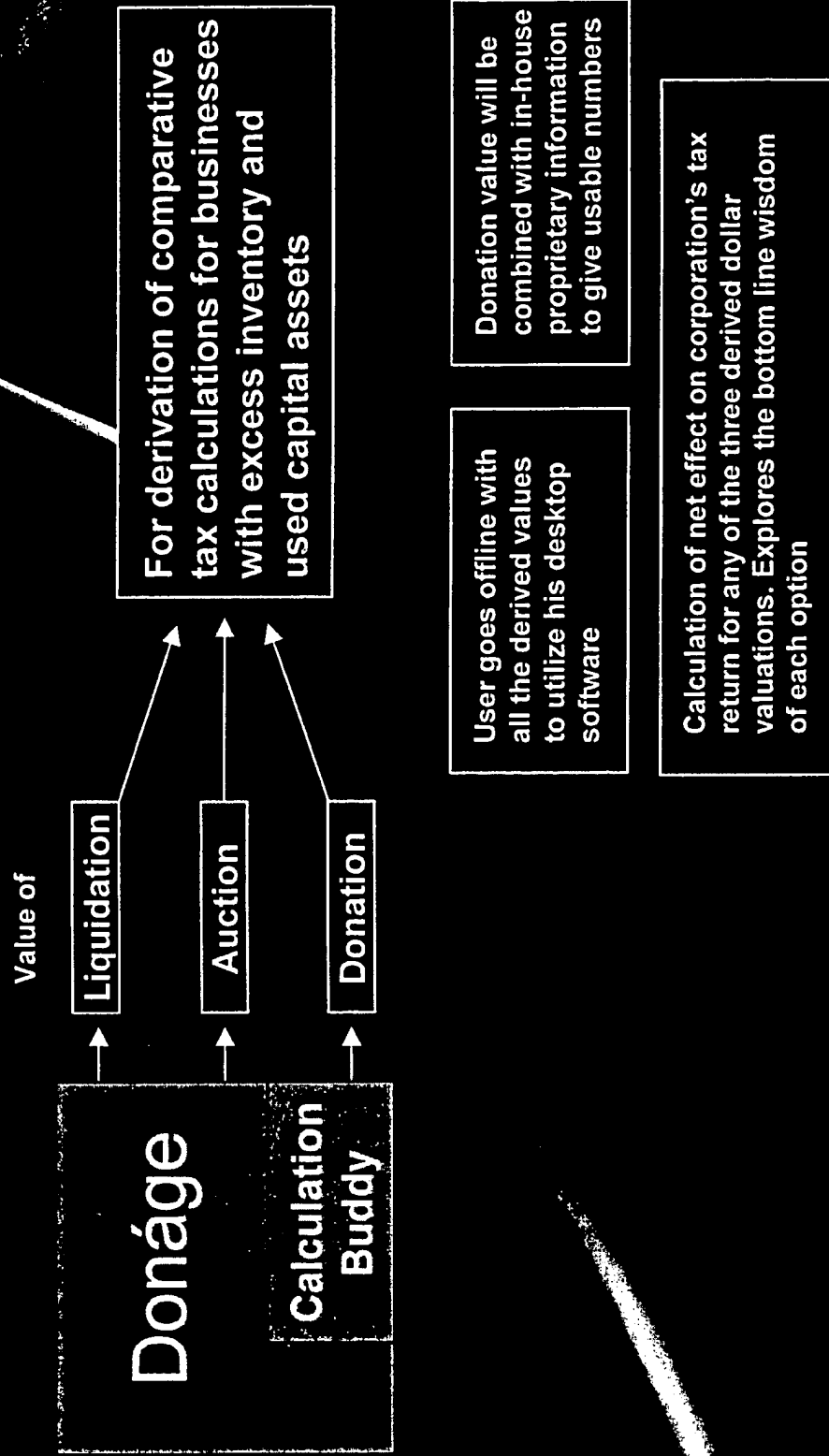
Process of Evolution



# How does it work?

## Step 2

### Process of Evolution

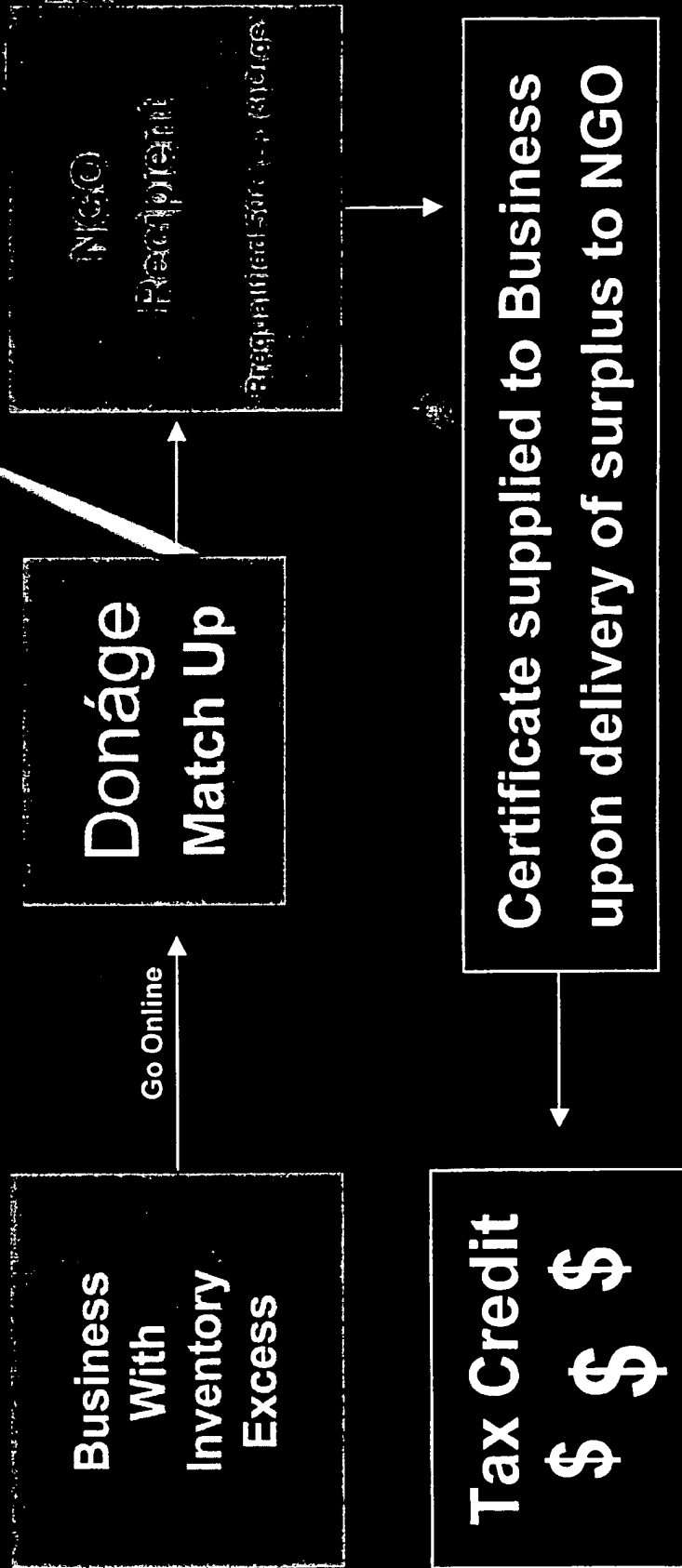


# How does it work?

Step 3

Business Explores Donation Option

Donage



# Key Points

Donage



- Donage guarantees no data mining of corporate information.
- Donor company controls all final decisions.
- Donage stimulates prompt and efficient mobilization of excess inventory.
- Reduces burn rate through reduced inventory warehousing.
- Protects main distribution channel from market flooding because of price reductions.
- Donors can choose the option of visibility and publicity following charitable contributions.





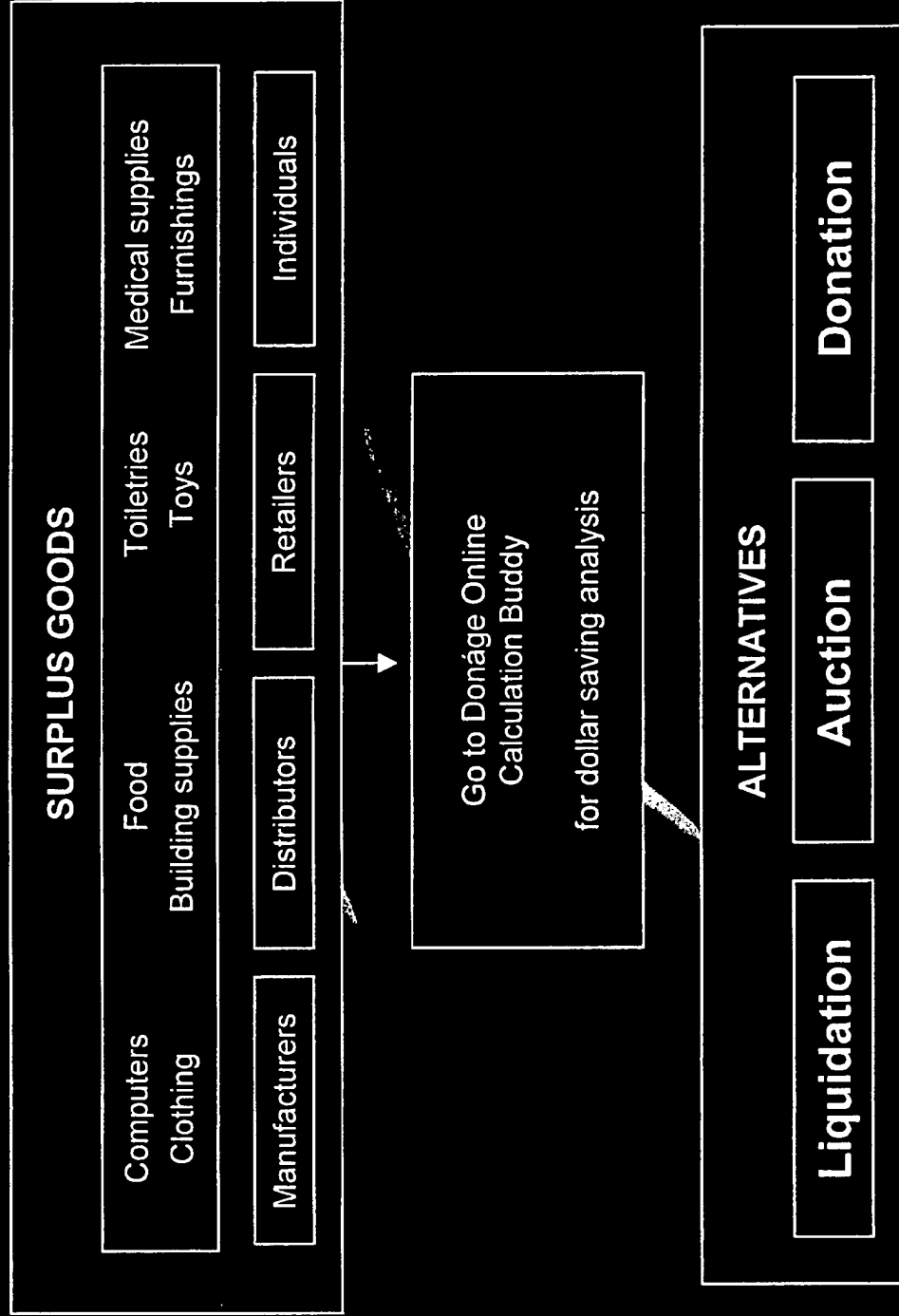
## *What is unique about the Donáge mechanism*

- Productive relationships with not for profit recipients are made through the Donáge match-up mechanism.
- Donors can either browse for recipients or can post lists of goods for general viewing by NGOs.
- The choice of recipient can be by geographic location or by specific interest or activity.
- NGOs are given the opportunity to state their case and explain their need for the donation. Final placement decided by the donor.
- NGOs will be able to browse the posted surplus lists for needed goods but will not know the donor's identity.
- Donors are assigned a new random ID code number at each posting of their inventory surplus thus assuring anonymity.
- Because of the tremendous number of NGOs and charities in the world, there is essentially an unlimited scope of recipient choices.
- Donáge never takes possession of the surplus goods. Delivery is directly to the recipient.

# Test Drive

## Comparative Evaluator for Surplus

Donage

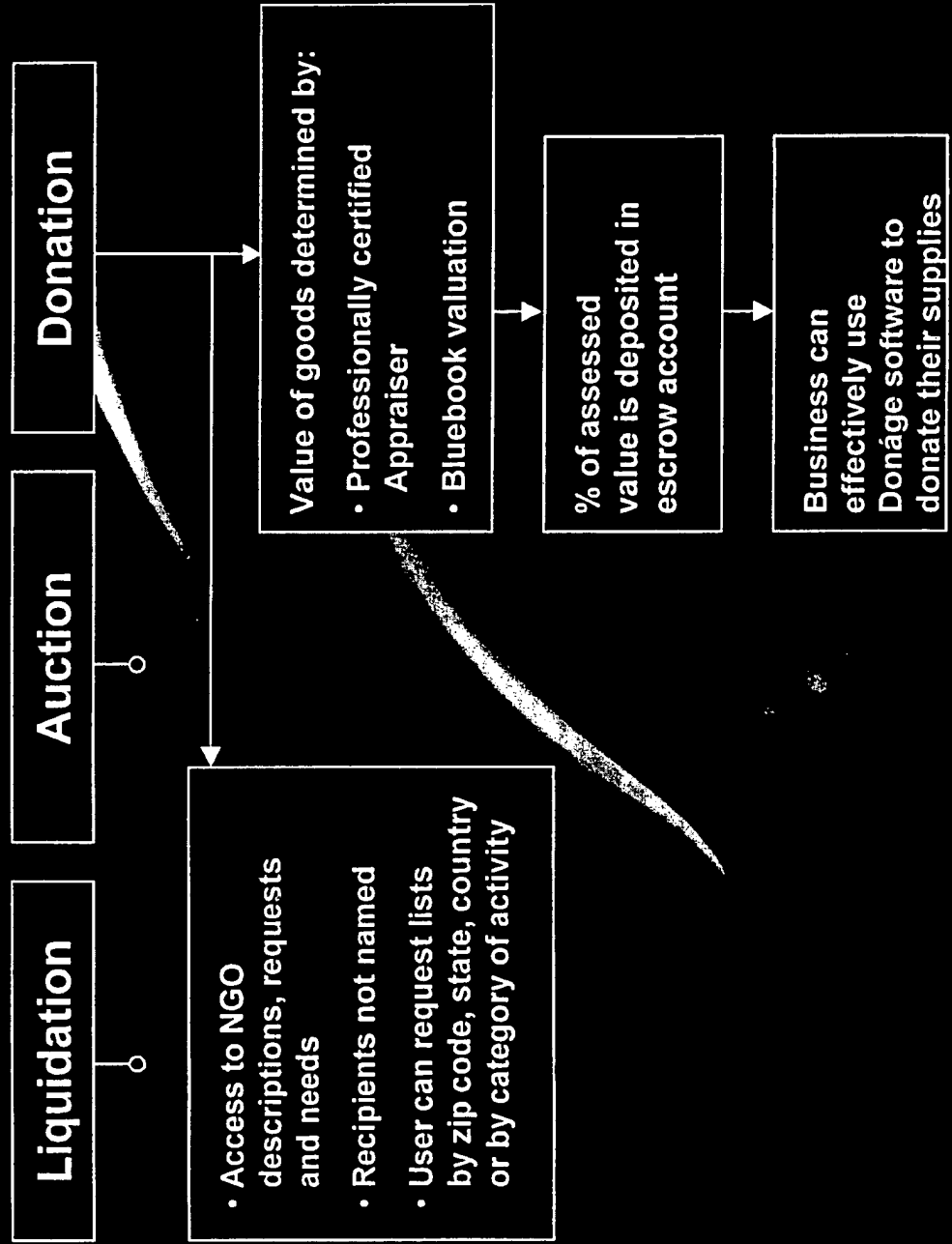


# Test Drive

Donáge



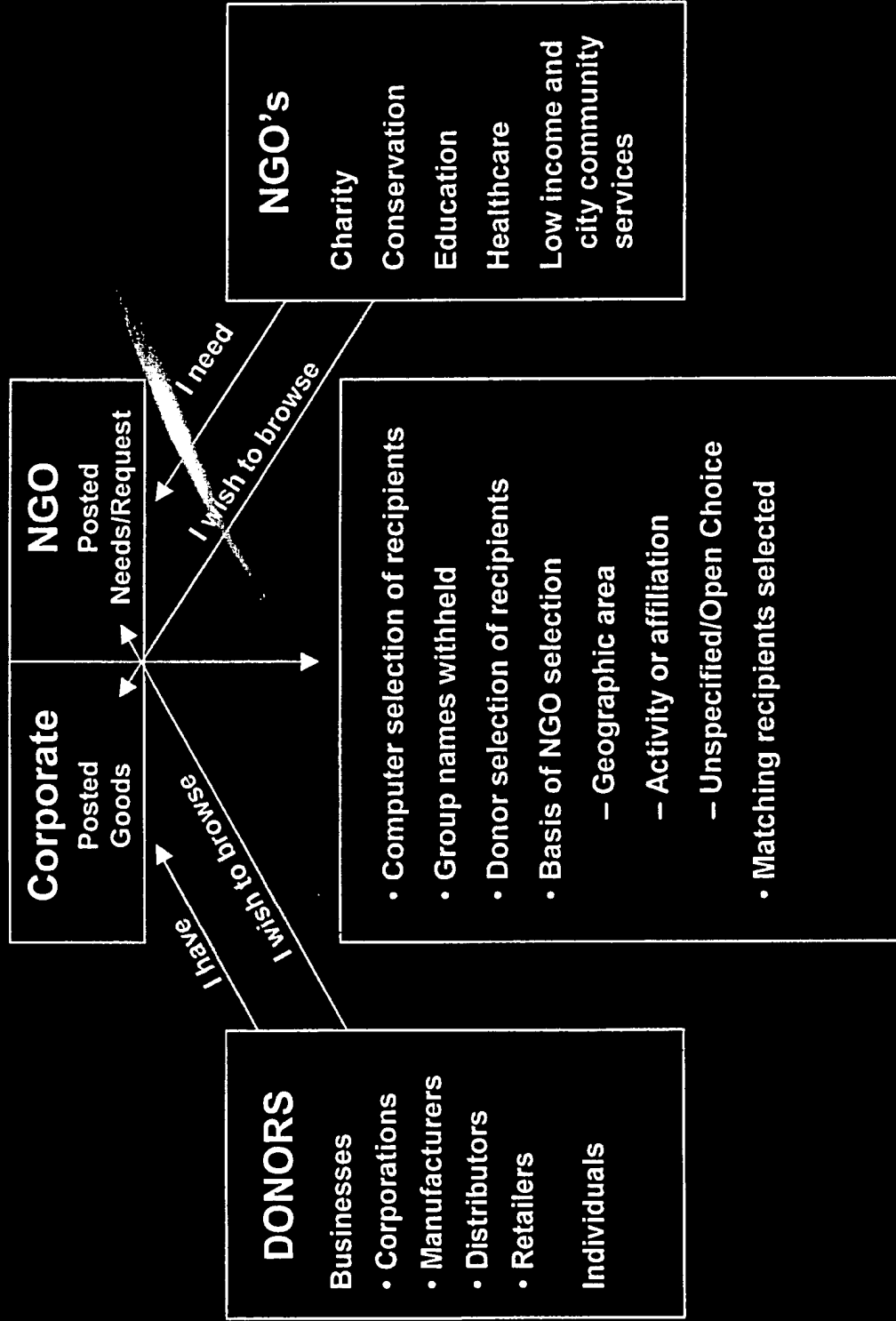
## Comparative Financial Evaluator-Alternatives



# Test Drive

## Mechanics

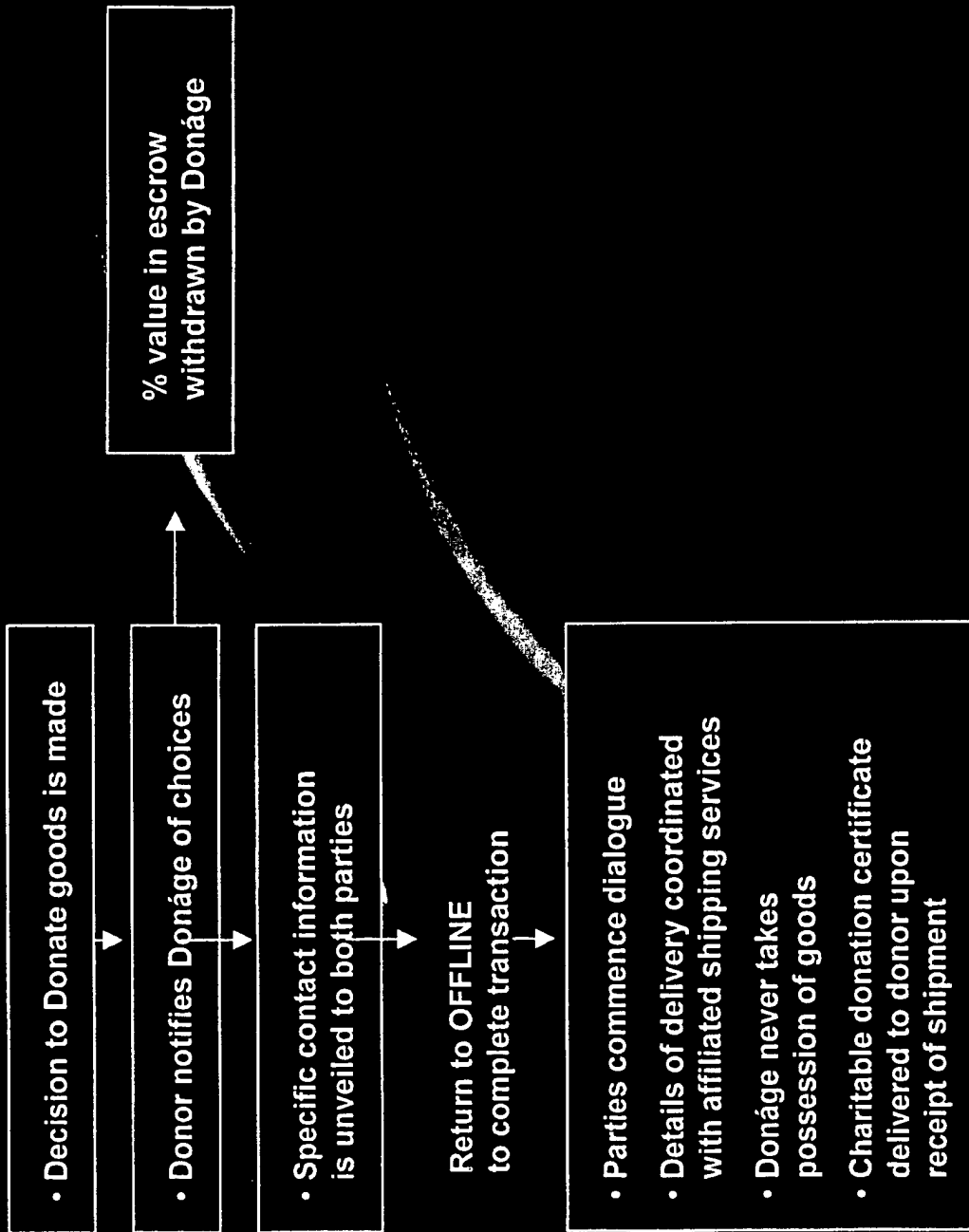
Donáge



# Test Drive

## How Donation is Implemented

Donage



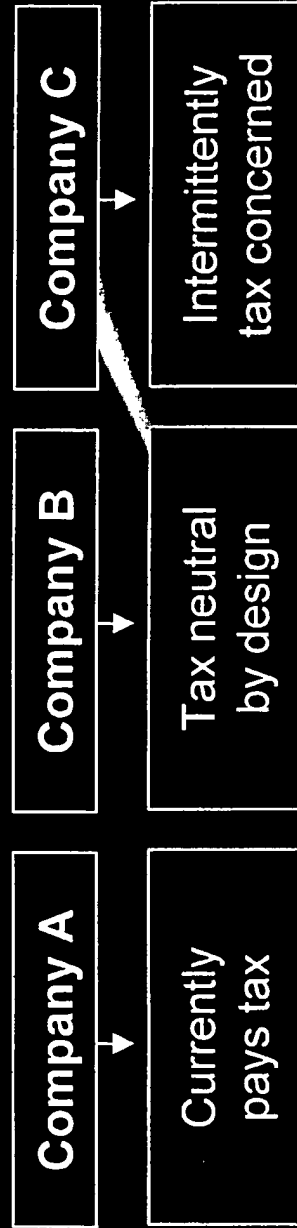
# Test Drive

Donage

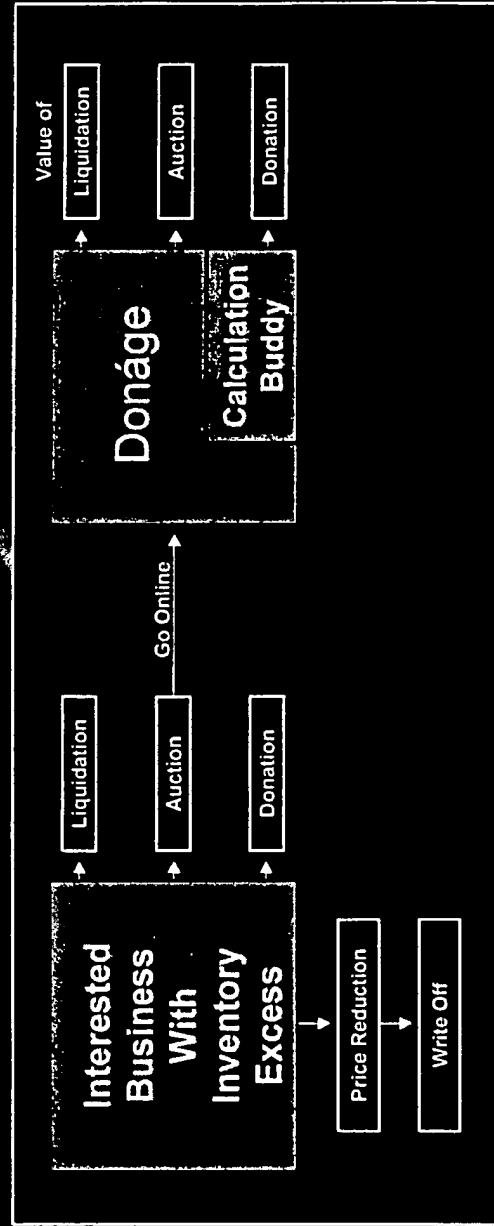


## Calculation Buddy: Deriving Monetary Value

Possible Company Tax Scenarios—Businesses With Surplus



Examples are based on chart below



# Test Drive

## Calculation Buddy: Deriving Monetary Value

Donage



- Value derived from weekly updated prices for liquidated or auctioned bulk goods
- \*\* Value base on certified appraised value.

# Test Drive

## How Donation is Implemented

Company A – Currently Paying Tax

Donage



Company A

Example

Liquidation	
Projected Revenue <i>Add</i>	\$3,000,000
Liquidation Revenue <i>Less</i>	150,000
Projected Deductions	1,100,000
Net Taxable Income	\$2,050,000
Tax @ 50%	1,025,000
After Tax Income	\$1,025,000

Auction	
Projected Revenue <i>Add</i>	\$3,000,000
Auction Revenue <i>Less</i>	375,000
Projected Deductions	1,100,000
Net Taxable Income	\$2,275,000
Tax @ 50%	1,137,000
After Tax Income	\$1,137,500

Donation	
Projected Revenue <i>Less</i>	\$3,000,000
Projected Deduction <i>Less</i>	1,100,000
Donation Deductions	600,000
Net Taxable Income	\$1,300,000
Tax @ 50%	650,000
After Tax Income	650,000
Actual net income	\$1,250,000



# Test Drive

## Calculation Buddy: Deriving Monetary Value

Company B – Tax Neutral By Design

Donage



Company B

Example

Liquidation	
Projected Revenue	\$3,000,000
<i>Add</i>	
Liquidation Revenue	150,000
<i>Less</i>	
Projected Deductions	2,700,000
Net Taxable Income	\$450,000
Tax @ 50%	225,000
After Tax Income	\$225,000

Auction	
Projected Revenue	\$3,000,000
<i>Add</i>	
Auction Revenue	375,000
<i>Less</i>	
Projected Deductions	2,700,000
Net Taxable Income	\$675,000
Tax @ 50%	337,500
After Tax Income	\$337,500

Donation	
Projected Revenue	\$3,000,000
<i>Less</i>	
Projected Deduction	2,700,000
<i>Less</i>	
Donation Deductions	600,000
Net Taxable Income	(\$300,000)
Tax @ 50%	0
After Tax Income	0
Actual net income	\$300,000

# Test Drive

## Calculation Buddy: Deriving Monetary Value

Company C – Intermittently Tax Concerned

Donâge



Company C

Example

Liquidation	
Projected Revenue	\$3,000,000
<i>Add</i>	
Liquidation Revenue	150,000
<i>Less</i>	
Projected Deductions	1,900,000
Net Taxable Income	\$1,250,000
Tax @ 50%	625,000
After Tax Income	\$625,000

Auction	
Projected Revenue	\$3,000,000
<i>Add</i>	
Auction Revenue	375,000
<i>Less</i>	
Projected Deductions	1,900,000
Net Taxable Income	\$1,475,000
Tax @ 50%	737,500
After Tax Income	\$737,500

Donation	
Projected Revenue	\$3,000,000
<i>Less</i>	
Projected Deduction	1,900,000
<i>Less</i>	
Donation Deductions	600,000
Net Taxable Income	\$500,000
Tax @ 50%	250,000
After Tax Income	250,000
Actual net income	\$850,000

# Process of Value Derivation

Donage

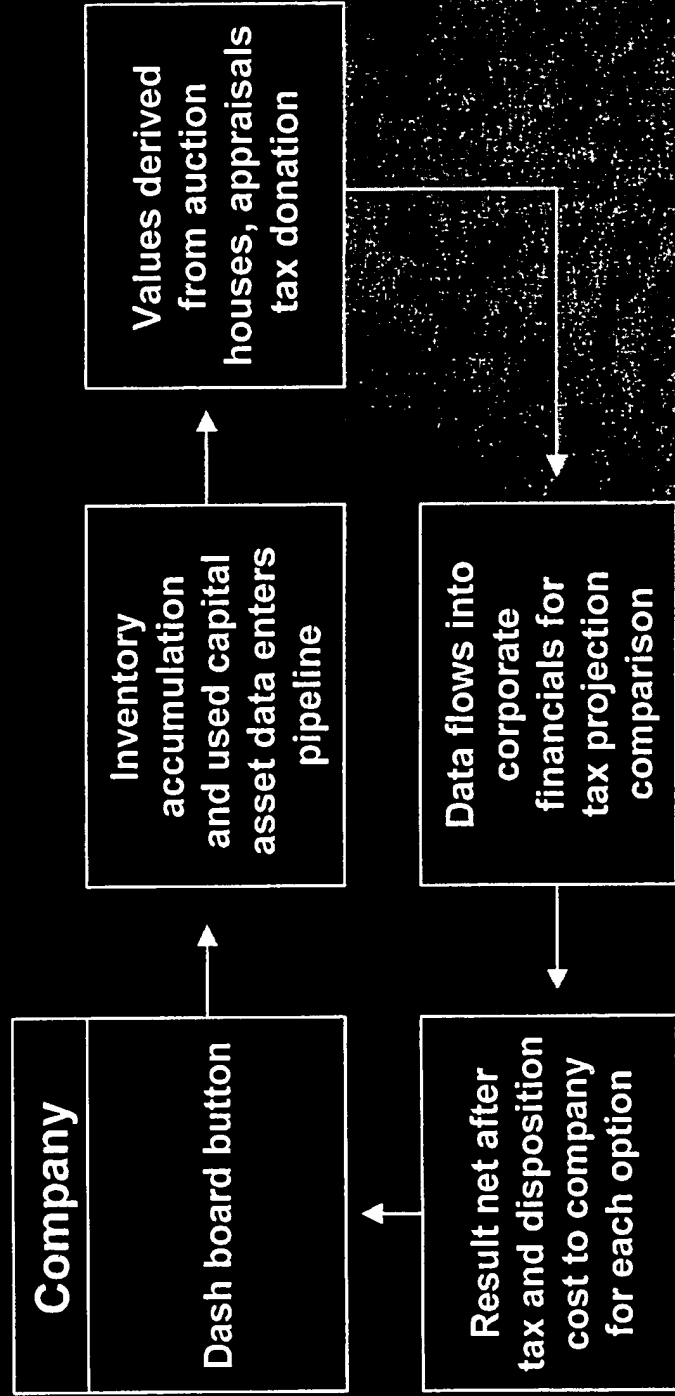


Mechanism connected directly to fixed asset data and used to perform dollar savings analysis

## 1. Triggering the Donage Mechanism (automatic or manual)

Alert to corporate officer based on:

- Predetermined threshold levels of capital assets and/or
- Accumulations of inventory held for specific periods of time





# *Process of Value Derivation*

## 2. Deriving Value

- The process of obtaining values for auction, legislation and donation is based on data gathered from auction houses, appraisers and tax code requirements

## 3. Financial Evaluation

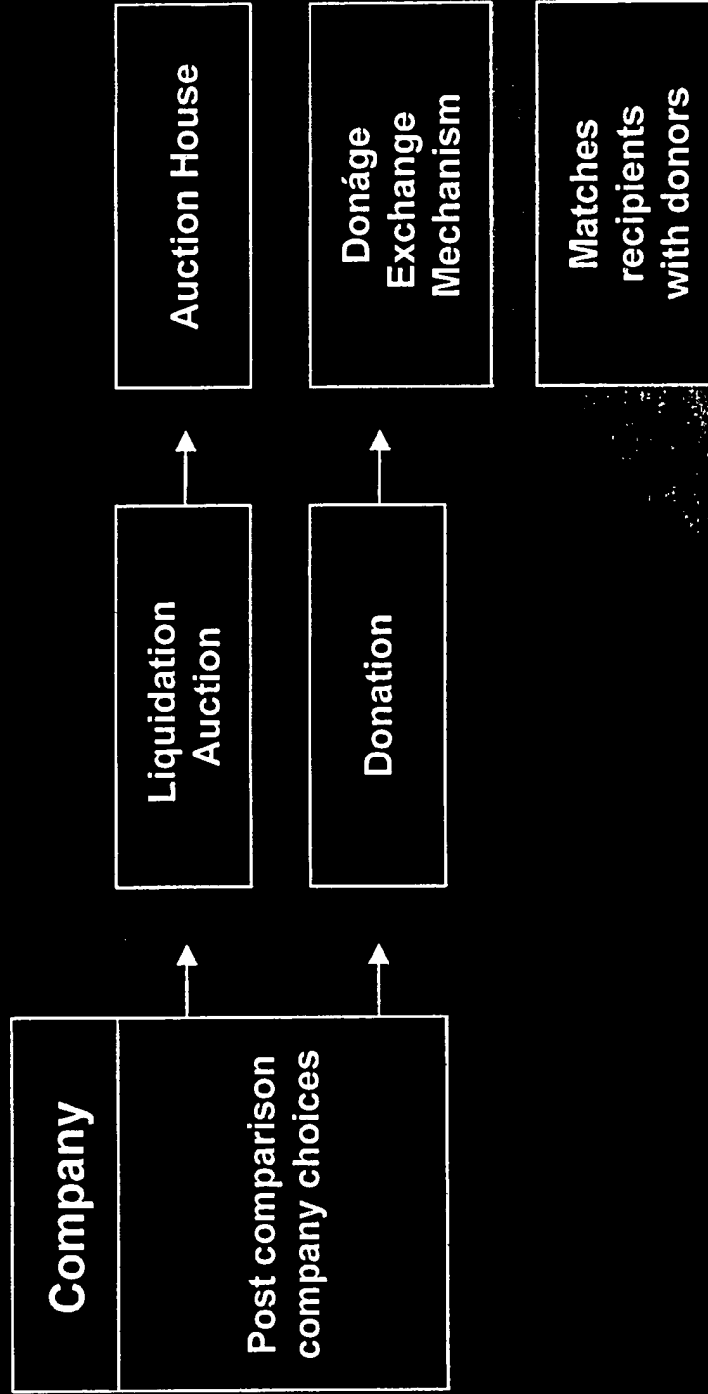
- Values of fixed asset data are fed together with corporate financial information into a tax return projection to yield after tax result of each option
- Result of comparison is relayed to corporate officer to assist with dollar savings analysis

# Process of Value Derivation

Donage



## 4. Post Comparison Alternatives



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## Overview

Donage presents the most desirable tool possible for businesses concerned by the growing surplus goods market, currently estimated at \$600 billion as well as for business struggling with a used capital asset market, which is extensive. It is a unique financial comparative evaluator designed to deliver an online asset and surplus management tool most effectively accessed through an Enterprise Resource Planning (ERP) software application. Through the utilization this mechanism, businesses can obtain real-time knowledge of the comparable financial alternatives, i.e., auction, liquidation or donation. Activation of the process is triggered by predetermined threshold levels of used capital assets and accumulations of inventory. The heart of the model is an automated information mechanism directly connected to corporate into fixed asset data and designed to provide comparative after tax value for asset and surplus distribution. Pricing information for each alternative is folded back into financial projections of the company as the basis for comparison. Thereafter, if liquidation or auction are the most advantageous, traditional avenues of disposition are facilitated and can be pursued with confidence in reliance on predicated values obtained through auction house alliance partners. If donation is the most viable, the Donage mechanism assists the business through cross-referencing in finding the match with recipients necessary to qualify for the projected tax deduction.

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## A. Donage Mechanism

### ▪ Deriving Value

- Donage's goods placement mechanism, directly connected to fixed asset data performs dollar savings analysis.
- The mechanism will assist businesses with the various stages of disbursement for semi -or non-performing assets and used goods.
- Donage functions as a donation placement format to match fixed assets and surplus with potential recipients.
- Businesses can be hyperlinked to auction affiliates for off line disposition of goods, if preferred. They will, nevertheless automatically receive a donation evaluation.
- Donage provides an auction selection vehicle linking businesses with potential auction or liquidation sources.

### ▪ Financial Evaluator

- Donage's financial evaluator generates the reliable economic predictions for each of the alternative mode of distribution, i.e. liquidation, auction and donation. The holder of surplus or used capital assets is supplied with real time market value information. Opportunities are spelled out for special case charitable tax deductions.
- Comparative tax calculations are based on data derived from auction houses, tax code and prevailing disposition potential.

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## A. Donage Mechanism (continued)

- **Matching Exchange**
  - When donation for tax deduction is the preferred path, the mechanism unfolds to provide the donor with a streamlined donation process. Prescreened recipient non-governmental organizations (NGOs) will be found within the Portal. Donation criteria can be as generalized or as as specified as the donor chooses. The data regarding NGO categorization will be intrinsic within Goodal. Postings will be located on Donage.



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## B. Benefits

- Philanthropic needs have changed worldwide. The timing is right to offer the option of charitable donations in kind through a mechanism that provides the valuation of the goods as well as their satisfactory placement.
- Donage is a unique, cutting edge financial tool not currently available in the marketplace.
- Donage provides a valuable resource to businesses, one able to access real time financial information, to facilitate critical economic decisions concerning surplus.
- In a difficult financial climate for both businesses and charities, it is important for a company to be able to differentiate itself through worldwide donations of gifts in kind.

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## C. User Experience

- Businesses receive information about Donage and its value as an asset management tool.
- Donage is a mechanism designed to provide tax comparatives and auction prediction to assist businesses in obtaining dollar savings.
- Businesses select the icon for "Asset Management" or can choose automation.
- Businesses are provided information on each option. Text explaining the basic premise of Donage is displayed. The data that will be required is explained. This information will serve for both tax deduction and auction value derivation.
- The option to donate will be explained.
- The exact route of disposition will be clearly demonstrated by the Donage website
- Businesses will have access to and become familiarized with introduced to the affiliate NGO community.
- Businesses can visit site and see other corporate postings of surplus and used capital assets (coded identities), as well as lists of NGO requests and needs (exact names obscured).
- Corporate representative will be made fully and repeatedly aware of the corporation's anonymity at all levels of contact with Donage.
- The alternative option of auction and/or liquidation will be available through an affiliation with top echelon auction houses.

## C. User Experience (continued)

- **Business utilizes Donage function:**
  - Worksheet is completed offline
  - Businesses made fully and repeatedly aware of their anonymity at all levels of contact with and utilization of Donage.
  - Financial officer goes to Donage website with coded identity and necessary data
  - Data automatically enter Donage's "Calculator Buddy" and a verifiable tax credit is delivered.
  - Hyperlinks to various auction houses or to BOT searches can be utilized.
  - Submission of same data to auction house elicits a value estimate, immediate or delayed depending upon nature of goods.
  - Obtained valuations are then taken back offline to be plugged into an ERP financial software. Businesses now learn the effect on the corporate tax return for each option. An informed decision can now be made.
- **The Business Experience, if donation is selected**
  - Desire to donate is met with three option categories.
  - Corporations can publicly yet anonymously post all or any part of their goods for NGOs to review.
  - The donor can specify criteria and conditions for potential recipients. The search engine will provide donor with an appropriate list for review.

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### C. User Experience (continued)

- **The Business Experience, if donation is selected (continued)**
  - The donor can review the portal's NGOs by category to find recipients and causes that were previously unfamiliar.
  - Within two weeks, NGOs competing for the same goods must state their case to the donor, who will make a final decision. If, after two weeks, there are no applicants for particular posted materials, the listing automatically rolls over.
  - When a recipient(s) is settled upon, the names of donor and recipient are revealed to each other. Offline shipping arrangements are made between the parties, not involving Donage.
  - Transaction fee sitting in escrow is deposited.
  - IRS preapproved forms to be completed by recipient NGO will be supplied prior to any delivery of surplus to the NGO. Upon receipt of goods, NGO will issue the certificate of donation.
- **The Business Experience, if auction is selected**
  - The path to auction is through Donage. Users can go directly to specific auction houses or choose a BOT search.
  - The auction price estimate may be immediately available or maybe delayed depending on the nature of the goods.
  - Thereafter, all communications between businesses and auction houses will be direct.
- **The NGOs experience, if donation is selected**
  - NGOs, prescreened, qualified, and monitored, will access Donage's mechanism from the NGO portal.

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## C. User Experience (continued)

- **The NGO Experience, if donation is selected (continued)**
  - NGOs can review postings and make an appeal for those items they are interested in and can justify.
  - NGOs can place their own postings with Donáge, listing their own specific needs and desires.
  - NGO participation in Donáge will be done semi-anonymously i.e., actual organization names will be withheld but other background information will be accessible.
  - Domestic organizations that have obtained IRC 501(C)(3) status to be requested on the portal. Non-domestic organizations will have to align themselves with an approved IRS organization for charitable donations to be eligible for tax deductions.